



General Assembly

January Session, 2007

**Committee Bill No. 70**

LCO No. 4222

\* SB00070INS\_\_030907\_\_ \*

Referred to Committee on Insurance and Real Estate

Introduced by:  
(INS)

**AN ACT ESTABLISHING THE NUTMEG HEALTH PARTNERSHIP  
INSURANCE PLAN.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2007*) There is established a  
2 Nutmeg Health Partnership Insurance Plan. The plan shall consist of  
3 the measures set forth in sections 1 to 5, inclusive, of this act and  
4 sections 5-259, 38a-497, 38a-554 and 38a-567 of the general statutes, as  
5 amended by this act, for the purpose of making health insurance  
6 accessible and affordable for residents of this state.

7 Sec. 2. (NEW) (*Effective October 1, 2007*) (a) Notwithstanding the  
8 provisions of chapter 700c of the general statutes, the Insurance  
9 Commissioner may approve any individual health insurance policy or  
10 certificate which contains the minimum coverages or benefits set forth  
11 in section 38a-503c of the general statutes and subsection (c) of section  
12 38a-504 of the general statutes in addition to those required under  
13 subsection (c) of section 38a-505 of the general statutes.

14 (b) Notwithstanding the provisions of chapter 700c of the general  
15 statutes, the Insurance Commissioner may approve any individual

16 health insurance policy or certificate which (1) contains the following  
17 minimum coverages or benefits set forth in chapter 700c of the general  
18 statutes: Subdivision (2) of subsection (b) of section 38a-476 of the  
19 general statutes, sections 38a-476b, 38a-483c, 38a-489, 38a-496, 38a-  
20 498a, 38a-502, 38a-503b and 38a-503c of the general statutes and  
21 subsection (c) of section 38a-504 of the general statutes, in addition to  
22 those required under subsection (c) of section 38a-505 of the general  
23 statutes, and (2) offers the following minimum coverages or benefits  
24 set forth in chapter 700c of the general statutes as options: Section 38a-  
25 488a of the general statutes, sections 38a-490 to 38a-490c, inclusive,  
26 38a-491a, 38a-492 to 38a-493, inclusive, 38a-498, 38a-503, 38a-503d and  
27 38a-503e of the general statutes, subsections (a) and (b) of section 38a-  
28 504 of the general statutes, sections 38a-504a to 38a-504g, inclusive, and  
29 38a-507 to 38a-509, inclusive, of the general statutes, provided the  
30 insurer, at the time of initial issuance and upon renewal, shall offer the  
31 options specified in subdivision (2) of this subsection and receive the  
32 acceptance or declination of the insured, in writing, which offer shall  
33 include a description of the coverages or benefits and the cost  
34 associated with each such coverage or benefit.

35 Sec. 3. (NEW) (*Effective July 1, 2007*) (a) As used in this section:

36 (1) "Commissioner" means the Insurance Commissioner; and

37 (2) "Ineligible population" means (A) part-time employees, seasonal  
38 employees and independent contractors who are not eligible to  
39 participate in a group health insurance policy offered by an employer  
40 or in any other group health insurance policy, as determined by the  
41 commissioner, and (B) retired employees under the age of sixty-five  
42 who are not eligible to participate in a group health insurance policy  
43 offered by a former employer or in any other group health insurance  
44 policy, as determined by the commissioner.

45 (b) Notwithstanding the provisions of chapter 700c of the general  
46 statutes, the Insurance Commissioner may approve any group health  
47 insurance policy or certificate which does not contain all the minimum

48 coverages or benefits set forth in chapter 700c of the general statutes,  
49 provided such policy or certificate is approved only for issue to the  
50 ineligible population in this state.

51       Sec. 4. (NEW) (*Effective July 1, 2007, and applicable to income years*  
52 *commencing on or after January 1, 2007*) There shall be allowed as a  
53 credit against the tax imposed pursuant to chapter 208 of the general  
54 statutes in any income year on a small employer an amount equal to  
55 the amount paid by such small employer for health insurance for its  
56 employees in the income year, provided such small employer has  
57 provided health insurance for its employees for a period of three  
58 consecutive years. Such credit shall be allowed upon the purchase of  
59 any special health care plan, as defined in section 38a-564 of the  
60 general statutes, small employer health care health plan, as defined in  
61 said section 38a-564, high deductible health plan, as that term is used  
62 in subsection (f) of section 38a-520 of the general statutes, or any health  
63 insurance procured pursuant to section 5-259 of the general statutes, as  
64 amended by this act. For the purposes of this section, "small employer"  
65 means any person, firm, corporation, limited liability company,  
66 partnership or association actively engaged in business or self-  
67 employed for at least three consecutive months who, on at least fifty  
68 per cent of its working days during the preceding twelve months,  
69 employed no more than ten eligible employees, the majority of whom  
70 were employed within the state of Connecticut. "Small employer"  
71 includes a self-employed individual.

72       Sec. 5. (NEW) (*Effective July 1, 2007, and applicable to income years*  
73 *commencing on or after January 1, 2007*) There shall be allowed as a  
74 credit against the tax imposed pursuant to chapter 229 of the general  
75 statutes in any income year on a small employer an amount equal to  
76 the amount paid by such small employer for health insurance for its  
77 employees in the income year, provided such small employer has  
78 provided health insurance for its employees for a period of three  
79 consecutive years. Such credit shall be allowed upon the purchase of  
80 any special health care plan, as defined in section 38a-564 of the  
81 general statutes, small employer health care health plan, as defined in

82 said section 38a-564, high deductible health plan, as that term is used  
83 in subsection (f) of section 38a-520 of the general statutes, or any health  
84 insurance procured pursuant to section 5-259 of the general statutes, as  
85 amended by this act. For the purposes of this section, "small employer"  
86 means any person, firm, corporation, limited liability company,  
87 partnership or association actively engaged in business or self-  
88 employed for at least three consecutive months who, on at least fifty  
89 per cent of its working days during the preceding twelve months,  
90 employed no more than ten eligible employees, the majority of whom  
91 were employed within the state of Connecticut. "Small employer"  
92 includes a self-employed individual.

93 Sec. 6. Subsection (i) of section 5-259 of the general statutes is  
94 repealed and the following is substituted in lieu thereof (*Effective*  
95 *October 1, 2007*):

96 (i) The Comptroller may provide for coverage of employees of  
97 municipalities, nonprofit corporations, community action agencies and  
98 small employers, [and] uninsured individuals, individuals eligible for  
99 a health coverage tax credit, retired members or members of an  
100 association for personal care assistants under the plan or plans  
101 procured under subsection (a) of this section, provided: (1)  
102 Participation by each municipality, nonprofit corporation, community  
103 action agency, small employer, uninsured individual, eligible  
104 individual, retired member or association for personal care assistants  
105 shall be on a voluntary basis; (2) where an employee organization  
106 represents employees of a municipality, nonprofit corporation,  
107 community action agency or small employer, participation in a plan or  
108 plans to be procured under subsection (a) of this section shall be by  
109 mutual agreement of the municipality, nonprofit corporation,  
110 community action agency or small employer and the employee  
111 organization only and neither party may submit the issue of  
112 participation to binding arbitration except by mutual agreement if  
113 such binding arbitration is available; (3) no group of employees shall  
114 be refused entry into the plan by reason of past or future health care  
115 costs or claim experience; (4) rates paid by the state for its employees

116 under subsection (a) of this section are not adversely affected by this  
117 subsection; (5) administrative costs to the plan or plans provided  
118 under this subsection shall not be paid by the state; (6) participation in  
119 the plan or plans in an amount determined by the state shall be for the  
120 duration of the period of the plan or plans, or for such other period as  
121 mutually agreed by the municipality, nonprofit corporation,  
122 community action agency, small employer, uninsured individual,  
123 retired member or association for personal care assistants and the  
124 Comptroller; and (7) nothing in this section or section 12-202a, 38a-551,  
125 38a-553 or 38a-556 shall be construed as requiring a participating  
126 insurer or health care center to issue individual policies to individuals  
127 eligible for a health coverage tax credit. The coverage provided under  
128 this section may be referred to as the "Municipal Employee Health  
129 Insurance Plan". The Comptroller may arrange and procure for the  
130 employees, uninsured individuals and eligible individuals under this  
131 subsection health benefit plans that vary from the plan or plans  
132 procured under subsection (a) of this section. Notwithstanding any  
133 provision of part V of chapter 700c, the coverage provided under this  
134 subsection may be offered on either a fully underwritten or risk-pooled  
135 basis at the discretion of the Comptroller. For the purposes of this  
136 subsection, (A) "municipality" means any town, city, borough, school  
137 district, taxing district, fire district, district department of health,  
138 probate district, housing authority, regional work force development  
139 board established under section 31-3k, regional emergency  
140 telecommunications center, tourism district established under section  
141 32-302, flood commission or authority established by special act,  
142 regional planning agency, transit district formed under chapter 103a,  
143 or the Children's Center established by number 571 of the public acts  
144 of 1969; (B) "nonprofit corporation" means (i) a nonprofit corporation  
145 organized under 26 USC 501 that has a contract with the state or  
146 receives a portion of its funding from a municipality, the state or the  
147 federal government, or (ii) an organization that is tax exempt pursuant  
148 to 26 USC 501(c)(5); (C) "community action agency" means a  
149 community action agency, as defined in section 17b-885; (D) "small  
150 employer" means a small employer, as defined in subparagraph (A) of

151 subdivision (4) of section 38a-564; (E) "eligible individuals" or  
152 "individuals eligible for a health coverage tax credit" means  
153 individuals who are eligible for the credit for health insurance costs  
154 under Section 35 of the Internal Revenue Code of 1986, or any  
155 subsequent corresponding internal revenue code of the United States,  
156 as from time to time amended, in accordance with the Pension Benefit  
157 Guaranty Corporation and Trade Adjustment Assistance programs of  
158 the Trade Act of 2002 (P.L. 107-210); (F) "association for personal care  
159 assistants" means an organization composed of personal care  
160 attendants who are employed by recipients of service (i) under the  
161 home-care program for the elderly under section 17b-342, (ii) under the  
162 personal care assistance program under section 17b-605a, (iii) in an  
163 independent living center pursuant to sections 17b-613 to 17b-615,  
164 inclusive, or (iv) under the program for individuals with acquired  
165 brain injury as described in section 17b-260a; [and] (G) "retired  
166 members" means individuals eligible for a retirement benefit from the  
167 Connecticut municipal employees' retirement system; and (H)  
168 "uninsured individual" means an individual who has no access to  
169 employer-sponsored or government-sponsored health insurance and  
170 whose adjusted gross income does not exceed fifty thousand dollars.

171 Sec. 7. Subsection (k) of section 5-259 of the general statutes is  
172 repealed and the following is substituted in lieu thereof (*Effective*  
173 *October 1, 2007*):

174 (k) The Comptroller shall submit annually to the General Assembly  
175 a review of the coverage of employees of municipalities, nonprofit  
176 corporations, community action agencies, small employers under  
177 subsection (i) of this section and eligible individuals under subsection  
178 (i) of this section beginning February 1, 2004, and uninsured  
179 individuals beginning February 1, 2008.

180 Sec. 8. Section 38a-497 of the general statutes is repealed and the  
181 following is substituted in lieu thereof (*Effective October 1, 2007*):

182 [Every] Each individual health insurance policy providing coverage

183 of the type specified in subdivisions (1), (2), (4), (6), (10), (11) and (12)  
184 of section 38a-469 delivered, issued for delivery, amended or renewed  
185 in this state on or after October 1, [1982] 2007, shall provide that  
186 coverage of a child shall terminate no earlier than the policy  
187 anniversary date on or after whichever of the following occurs first, the  
188 date on which the child marries, ceases to be a dependent of the  
189 policyholder [,] or attains the age of [nineteen if the child is not a full-  
190 time student at an accredited institution, or attains the age of twenty-  
191 three if the child is a full-time student at an accredited institution]  
192 twenty-three.

193 Sec. 9. Section 38a-554 of the general statutes is repealed and the  
194 following is substituted in lieu thereof (*Effective October 1, 2007*):

195 A group comprehensive health care plan shall contain the minimum  
196 standard benefits prescribed in section 38a-553 and shall also conform  
197 in substance to the requirements of this section.

198 (a) The plan shall be one under which the individuals eligible to be  
199 covered include: (1) Each eligible employee; (2) the spouse of each  
200 eligible employee, who shall be considered a dependent for the  
201 purposes of this section; and (3) dependent unmarried children [,] who  
202 are under the age of [nineteen or are full-time students under the age  
203 of twenty-three at an accredited institution of higher learning] twenty-  
204 three.

205 (b) The plan shall provide the option to continue coverage under  
206 each of the following circumstances until the individual is eligible for  
207 other group insurance, except as provided in subdivisions (3) and (4)  
208 of this subsection: (1) Notwithstanding any provision of this section,  
209 upon layoff, reduction of hours, leave of absence, or termination of  
210 employment, other than as a result of death of the employee or as a  
211 result of such employee's "gross misconduct" as that term is used in 29  
212 USC 1163(2), continuation of coverage for such employee and such  
213 employee's covered dependents for the periods set forth for such event  
214 under federal extension requirements established by the federal

215 Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272),  
216 as amended from time to time, (COBRA), except that if such reduction  
217 of hours, leave of absence or termination of employment results from  
218 an employee's eligibility to receive Social Security income,  
219 continuation of coverage for such employee and such employee's  
220 covered dependents until midnight of the day preceding such person's  
221 eligibility for benefits under Title XVIII of the Social Security Act; (2)  
222 upon the death of the employee, continuation of coverage for the  
223 covered dependents of such employee for the periods set forth for such  
224 event under federal extension requirements established by the  
225 Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272),  
226 as amended from time to time, (COBRA); (3) regardless of the  
227 employee's or dependent's eligibility for other group insurance, during  
228 an employee's absence due to illness or injury, continuation of  
229 coverage for such employee and such employee's covered dependents  
230 during continuance of such illness or injury or for up to twelve months  
231 from the beginning of such absence; (4) regardless of an individual's  
232 eligibility for other group insurance, upon termination of the group  
233 plan, coverage for covered individuals who were totally disabled on  
234 the date of termination shall be continued without premium payment  
235 during the continuance of such disability for a period of twelve  
236 calendar months following the calendar month in which the plan was  
237 terminated, provided claim is submitted for coverage within one year  
238 of the termination of the plan; (5) the coverage of any covered  
239 individual shall terminate: (A) As to a child, the plan shall provide the  
240 option for said child to continue coverage for the longer of the  
241 following periods: (i) At the end of the month following the month in  
242 which the child marries, ceases to be dependent on the employee or  
243 attains the age of [nineteen] twenty-three, whichever occurs first. [,  
244 except that if the child is a full-time student at an accredited  
245 institution, the coverage may be continued while the child remains  
246 unmarried and a full-time student, but not beyond the month  
247 following the month in which the child attains the age of twenty-  
248 three.] If on the date specified for termination of coverage on a  
249 dependent child, the child is unmarried and incapable of self-



250 sustaining employment by reason of mental or physical handicap and  
251 chiefly dependent upon the employee for support and maintenance,  
252 the coverage on such child shall continue while the plan remains in  
253 force and the child remains in such condition, provided proof of such  
254 handicap is received by the carrier within thirty-one days of the date  
255 on which the child's coverage would have terminated in the absence of  
256 such incapacity. The carrier may require subsequent proof of the  
257 child's continued incapacity and dependency but not more often than  
258 once a year thereafter, or (ii) for the periods set forth for such child  
259 under federal extension requirements established by the Consolidated  
260 Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), as amended  
261 from time to time, (COBRA); (B) as to the employee's spouse, at the  
262 end of the month following the month in which a divorce, court-  
263 ordered annulment or legal separation is obtained, whichever is  
264 earlier, except that the plan shall provide the option for said spouse to  
265 continue coverage for the periods set forth for such events under  
266 federal extension requirements established by the Consolidated  
267 Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), as amended  
268 from time to time, (COBRA); and (C) as to the employee or dependent  
269 who is sixty-five years of age or older, as of midnight of the day  
270 preceding such person's eligibility for benefits under Title XVIII of the  
271 federal Social Security Act; (6) as to any other event listed as a  
272 "qualifying event" in 29 USC 1163, as amended from time to time,  
273 continuation of coverage for such periods set forth for such event in 29  
274 USC 1162, as amended from time to time, provided such plan may  
275 require the individual whose coverage is to be continued to pay up to  
276 the percentage of the applicable premium as specified for such event in  
277 29 USC 1162, as amended from time to time. Any continuation of  
278 coverage required by this section except subdivision (4) or (6) of this  
279 subsection may be subject to the requirement, on the part of the  
280 individual whose coverage is to be continued, that such individual  
281 contribute that portion of the premium the individual would have  
282 been required to contribute had the employee remained an active  
283 covered employee, except that the individual may be required to pay  
284 up to one hundred two per cent of the entire premium at the group

285 rate if coverage is continued in accordance with subdivision (1), (2) or  
286 (5) of this subsection. The employer shall not be legally obligated by  
287 sections 38a-505, 38a-546 and 38a-551 to 38a-559, inclusive, to pay such  
288 premium if not paid timely by the employee.

289 (c) The commissioner shall adopt regulations, in accordance with  
290 chapter 54, concerning coordination of benefits between the plan and  
291 other health insurance plans.

292 (d) The plan shall make available to Connecticut residents, in  
293 addition to any other conversion privilege available, a conversion  
294 privilege under which coverage shall be available immediately upon  
295 termination of coverage under the group plan. The terms and benefits  
296 offered under the conversion benefits shall be at least equal to the  
297 terms and benefits of an individual comprehensive health care plan.

298 Sec. 10. Section 38a-567 of the general statutes is repealed and the  
299 following is substituted in lieu thereof (*Effective July 1, 2007*):

300 Health insurance plans and insurance arrangements covering small  
301 employers and insurers and producers marketing such plans and  
302 arrangements shall be subject to the following provisions:

303 (1) (A) Any such plan or arrangement shall be renewable with  
304 respect to all eligible employees or dependents at the option of the  
305 small employer, policyholder or contractholder, as the case may be,  
306 except: (i) For nonpayment of the required premiums by the small  
307 employer, policyholder or contractholder; (ii) for fraud or  
308 misrepresentation of the small employer, policyholder or  
309 contractholder or, with respect to coverage of individual insured, the  
310 insureds or their representatives; (iii) for noncompliance with plan or  
311 arrangement provisions; (iv) when the number of insureds covered  
312 under the plan or arrangement is less than the number of insureds or  
313 percentage of insureds required by participation requirements under  
314 the plan or arrangement; or (v) when the small employer, policyholder  
315 or contractholder is no longer actively engaged in the business in  
316 which it was engaged on the effective date of the plan or arrangement.

317 (B) Renewability of coverage may be effected by either continuing in  
318 effect a plan or arrangement covering a small employer or by  
319 substituting upon renewal for the prior plan or arrangement the plan  
320 or arrangement then offered by the carrier that most closely  
321 corresponds to the prior plan or arrangement and is available to other  
322 small employers. Such substitution shall only be made under  
323 conditions approved by the commissioner. A carrier may substitute a  
324 plan or arrangement as stated above only if the carrier effects the same  
325 substitution upon renewal for all small employers previously covered  
326 under the particular plan or arrangement, unless otherwise approved  
327 by the commissioner. The substitute plan or arrangement shall be  
328 subject to the rating restrictions specified in this section on the same  
329 basis as if no substitution had occurred, except for an adjustment  
330 based on coverage differences.

331 (C) Notwithstanding the provisions of this subdivision, any such  
332 plan or arrangement, or any coverage provided under such plan or  
333 arrangement may be rescinded for fraud, material misrepresentation  
334 or concealment by an applicant, employee, dependent or small  
335 employer.

336 (D) Any individual who was not a late enrollee at the time of his or  
337 her enrollment and whose coverage is subsequently rescinded shall be  
338 allowed to reenroll as of a current date in such plan or arrangement  
339 subject to any preexisting condition or other provisions applicable to  
340 new enrollees without previous coverage. On and after the effective  
341 date of such individual's reenrollment, the small employer carrier may  
342 modify the premium rates charged to the small employer for the  
343 balance of the current rating period and for future rating periods, to  
344 the level determined by the carrier as applicable under the carrier's  
345 established rating practices had full, accurate and timely underwriting  
346 information been supplied when such individual initially enrolled in  
347 the plan. The increase in premium rates allowed by this provision for  
348 the balance of the current rating period shall not exceed twenty-five  
349 per cent of the small employer's current premium rates. Any such  
350 increase for the balance of said current rating period shall not be

351 subject to the rate limitation specified in subdivision (6) of this section.  
352 The rate limitation specified in this section shall otherwise be fully  
353 applicable for the current and future rating periods. The modification  
354 of premium rates allowed by this subdivision shall cease to be  
355 permitted for all plans and arrangements on the first rating period  
356 commencing on or after July 1, 1995.

357 (2) Except in the case of a late enrollee who has failed to provide  
358 evidence of insurability satisfactory to the insurer, the plan or  
359 arrangement may not exclude any eligible employee or dependent  
360 who would otherwise be covered under such plan or arrangement on  
361 the basis of an actual or expected health condition of such person. No  
362 plan or arrangement may exclude an eligible employee or eligible  
363 dependent who, on the day prior to the initial effective date of the plan  
364 or arrangement, was covered under the small employer's prior health  
365 insurance plan or arrangement pursuant to workers' compensation,  
366 continuation of benefits pursuant to federal extension requirements  
367 established by the Consolidated Omnibus Budget Reconciliation Act of  
368 1985 (P.L. 99-2721, as amended) or other applicable laws. The  
369 employee or dependent must request coverage under the new plan or  
370 arrangement on a timely basis and such coverage shall terminate in  
371 accordance with the provisions of the applicable law.

372 (3) (A) For rating periods commencing on or after October 1, 1993,  
373 and prior to July 1, 1994, the premium rates charged or offered for a  
374 rating period for all plans and arrangements may not exceed one  
375 hundred thirty-five per cent of the base premium rate for all plans or  
376 arrangements.

377 (B) For rating periods commencing on or after July 1, 1994, and prior  
378 to July 1, 1995, the premium rates charged or offered for a rating  
379 period for all plans or arrangements may not exceed one hundred  
380 twenty per cent of the base premium rate for such rating period. The  
381 provisions of this subdivision shall not apply to any small employer  
382 who employs more than twenty-five eligible employees.

383 (4) For rating periods commencing on or after October 1, 1993, and  
384 prior to July 1, 1995, the percentage increase in the premium rate  
385 charged to a small employer, who employs not more than twenty-five  
386 eligible employees, for a new rating period may not exceed the sum of:

387 (A) The percentage change in the base premium rate measured from  
388 the first day of the prior rating period to the first day of the new rating  
389 period;

390 (B) An adjustment of the small employer's premium rates for the  
391 prior rating period, and adjusted pro rata for rating periods of less  
392 than one year, due to the claim experience, health status or duration of  
393 coverage of the employees or dependents of the small employer, such  
394 adjustment (i) not to exceed ten per cent annually for the rating  
395 periods commencing on or after October 1, 1993, and prior to July 1,  
396 1994, and (ii) not to exceed five per cent annually for the rating periods  
397 commencing on or after July 1, 1994, and prior to July 1, 1995; and

398 (C) Any adjustments due to change in coverage or change in the  
399 case characteristics of the small employer, as determined from the  
400 small employer carrier's applicable rate manual.

401 (5) (A) With respect to plans or arrangements issued on or after July  
402 1, 1995, the premium rates charged or offered to small employers shall  
403 be established on the basis of a community rate, adjusted to reflect one  
404 or more of the following classifications:

405 (i) Age, provided age brackets of less than five years shall not be  
406 utilized;

407 (ii) Gender;

408 (iii) Geographic area, provided an area smaller than a county shall  
409 not be utilized;

410 (iv) Industry, provided the rate factor associated with any industry  
411 classification shall not vary from the arithmetic average of the highest  
412 and lowest rate factors associated with all industry classifications by

413 greater than fifteen per cent of such average, and provided further, the  
414 rate factors associated with any industry shall not be increased by  
415 more than five per cent per year;

416 (v) Group size, provided the highest rate factor associated with  
417 group size shall not vary from the lowest rate factor associated with  
418 group size by a ratio of greater than 1.25 to 1.0;

419 (vi) Administrative cost savings resulting from the administration of  
420 an association group plan or a plan written pursuant to section 5-259,  
421 as amended by this act, provided the savings reflect a reduction to the  
422 small employer carrier's overall retention that is measurable and  
423 specifically realized on items such as marketing, billing or claims  
424 paying functions taken on directly by the plan administrator or  
425 association, except that such savings may not reflect a reduction  
426 realized on commissions;

427 (vii) Savings resulting from a reduction in the profit of a carrier who  
428 writes small business plans or arrangements for an association group  
429 plan or a plan written pursuant to section 5-259, as amended by this  
430 act, provided any loss in overall revenue due to a reduction in profit is  
431 not shifted to other small employers; [and]

432 (viii) Family composition, provided the small employer carrier shall  
433 utilize only one or more of the following billing classifications: (I)  
434 Employee; (II) employee plus family; (III) employee and spouse; (IV)  
435 employee and child; (V) employee plus one dependent; and (VI)  
436 employee plus two or more dependents; and

437 (ix) Expected level of participation in a qualified wellness or disease  
438 management program offered by a small employer carrier on or after  
439 July 1, 2008, that meets the requirements specified in the Health  
440 Insurance Portability and Accountability Act of 1996 (P. L. 104-191)  
441 (HIPAA), as amended from time to time, for bona fide wellness  
442 programs, and the anticipated effect such program will have on  
443 utilization or medical claim costs, provided (I) the maximum  
444 differential attributed to such rate factor shall not exceed a ratio of 1.25

445 to 1.0, and (II) the commissioner has approved the program materials  
446 and the methodology proposed for establishing such rate factor. Not  
447 later than July 1, 2008, the commissioner shall adopt regulations, in  
448 accordance with chapter 54, which shall specify additional standards  
449 for such program and the factors that the methodology may consider  
450 in determining how the rating factor will vary based on the anticipated  
451 efficacy of the program in reducing expected utilization or medical  
452 claim costs.

453 (B) The small employer carrier shall quote premium rates to small  
454 employers after receipt of all demographic rating classifications of the  
455 small employer group. No small employer carrier may inquire  
456 regarding health status or claims experience of the small employer or  
457 its employees or dependents prior to the quoting of a premium rate.

458 (C) The provisions of subparagraphs (A) and (B) of this subdivision  
459 shall apply to plans or arrangements issued on or after July 1, 1995.  
460 The provisions of subparagraphs (A) and (B) of this subdivision shall  
461 apply to plans or arrangements issued prior to July 1, 1995, as of the  
462 date of the first rating period commencing on or after that date, but no  
463 later than July 1, 1996.

464 (6) For any small employer plan or arrangement on which the  
465 premium rates for employee and dependent coverage or both, vary  
466 among employees, such variations shall be based solely on age and  
467 other demographic factors permitted under subparagraph (A) of  
468 subdivision (5) of this section and such variations may not be based on  
469 health status, claim experience, or duration of coverage of specific  
470 enrollees. Except as otherwise provided in subdivision (1) of this  
471 section, any adjustment in premium rates charged for a small  
472 employer plan or arrangement to reflect changes in case characteristics  
473 prior to the end of a rating period shall not include any adjustment to  
474 reflect the health status, medical history or medical underwriting  
475 classification of any new enrollee for whom coverage begins during  
476 the rating period.

477 (7) For rating periods commencing prior to July 1, 1995, in any case  
478 where a small employer carrier utilized industry classification as a case  
479 characteristic in establishing premium rates, the rate factor associated  
480 with any industry classification shall not vary from the arithmetical  
481 average of the highest and lowest rate factors associated with all  
482 industry classifications by greater than fifteen per cent of such average.

483 (8) Differences in base premium rates charged for health benefit  
484 plans by a small employer carrier shall be reasonable and reflect  
485 objective differences in plan design, not including differences due to  
486 the nature of the groups assumed to select particular health benefit  
487 plans.

488 (9) For rating periods commencing prior to July 1, 1995, in any case  
489 where an insurer issues or offers a policy or contract under which  
490 premium rates for a specific small employer are established or  
491 adjusted in part based upon the actual or expected variation in claim  
492 costs or actual or expected variation in health conditions of the  
493 employees or dependents of such small employer, the insurer shall  
494 make reasonable disclosure of such rating practices in solicitation and  
495 sales materials utilized with respect to such policy or contract.

496 (10) If a small employer carrier denies coverage to a small employer,  
497 the small employer carrier shall promptly offer the small employer the  
498 opportunity to purchase a special health care plan or a small employer  
499 health care plan, as appropriate. If a small employer carrier or any  
500 producer representing that carrier fails, for any reason, to offer such  
501 coverage as requested by a small employer, that small employer carrier  
502 shall promptly offer the small employer an opportunity to purchase a  
503 special health care plan or a small employer health care plan, as  
504 appropriate.

505 (11) No small employer carrier or producer shall, directly or  
506 indirectly, engage in the following activities:

507 (A) Encouraging or directing small employers to refrain from filing  
508 an application for coverage with the small employer carrier because of



509 the health status, claims experience, industry, occupation or  
510 geographic location of the small employer, except the provisions of  
511 this subparagraph shall not apply to information provided by a small  
512 employer carrier or producer to a small employer regarding the  
513 carrier's established geographic service area or a restricted network  
514 provision of a small employer carrier; or

515 (B) Encouraging or directing small employers to seek coverage from  
516 another carrier because of the health status, claims experience,  
517 industry, occupation or geographic location of the small employer.

518 (12) No small employer carrier shall, directly or indirectly, enter into  
519 any contract, agreement or arrangement with a producer that provides  
520 for or results in the compensation paid to a producer for the sale of a  
521 health benefit plan to be varied because of the health status, claims  
522 experience, industry, occupation or geographic area of the small  
523 employer. A small employer carrier shall provide reasonable  
524 compensation, as provided under the plan of operation of the  
525 program, to a producer, if any, for the sale of a special or a small  
526 employer health care plan. No small employer carrier shall terminate,  
527 fail to renew or limit its contract or agreement of representation with a  
528 producer for any reason related to the health status, claims experience,  
529 occupation, or geographic location of the small employers placed by  
530 the producer with the small employer carrier.

531 (13) No small employer carrier or producer shall induce or  
532 otherwise encourage a small employer to separate or otherwise  
533 exclude an employee from health coverage or benefits provided in  
534 connection with the employee's employment.

535 (14) Denial by a small employer carrier of an application for  
536 coverage from a small employer shall be in writing and shall state the  
537 reasons for the denial.

538 (15) No small employer carrier or producer shall disclose (A) to a  
539 small employer the fact that any or all of the eligible employees of such  
540 small employer have been or will be reinsured with the pool, or (B) to

541 any eligible employee or dependent the fact that he has been or will be  
542 reinsured with the pool.

543 (16) If a small employer carrier enters into a contract, agreement or  
544 other arrangement with another party to provide administrative,  
545 marketing or other services related to the offering of health benefit  
546 plans to small employers in this state, the other party shall be subject  
547 to the provisions of this section.

548 (17) The commissioner may adopt regulations<sub>2</sub> in accordance with  
549 the provisions of chapter 54<sub>2</sub> setting forth additional standards to  
550 provide for the fair marketing and broad availability of health benefit  
551 plans to small employers.

552 (18) Each small employer carrier shall maintain at its principle place  
553 of business a complete and detailed description of its rating practices  
554 and renewal underwriting practices, including information and  
555 documentation that demonstrates that its rating methods and practices  
556 are based upon commonly accepted actuarial assumptions and are in  
557 accordance with sound actuarial principles. Each small employer  
558 carrier shall file with the commissioner annually, on or before March  
559 fifteenth, an actuarial certification certifying that the carrier is in  
560 compliance with this part and that the rating methods have been  
561 derived using recognized actuarial principles consistent with the  
562 provisions of sections 38a-564 to 38a-573, inclusive. Such certification  
563 shall be in a form and manner and shall contain such information, as  
564 determined by the commissioner. A copy of the certification shall be  
565 retained by the small employer carrier at its principle place of business.  
566 Any information and documentation described in this subdivision but  
567 not subject to the filing requirement shall be made available to the  
568 commissioner upon his request. Except in cases of violations of  
569 sections 38a-564 to 38a-573, inclusive, the information shall be  
570 considered proprietary and trade secret information and shall not be  
571 subject to disclosure by the commissioner to persons outside of the  
572 department except as agreed to by the small employer carrier or as  
573 ordered by a court of competent jurisdiction.

574 (19) The commissioner may suspend all or any part of this section  
 575 relating to the premium rates applicable to one or more small  
 576 employers for one or more rating periods upon a filing by the small  
 577 employer carrier and a finding by the commissioner that either the  
 578 suspension is reasonable in light of the financial condition of the  
 579 carrier or that the suspension would enhance the efficiency and  
 580 fairness of the marketplace for small employer health insurance.

581 (20) For rating periods commencing prior to July 1, 1995, a small  
 582 employer carrier shall quote premium rates to any small employer  
 583 within thirty days after receipt by the carrier of such employer's  
 584 completed application.

585 (21) Any violation of subdivisions (10) to (16), inclusive, and any  
 586 regulations established under subdivision (17) of this section shall be  
 587 an unfair and prohibited practice under sections 38a-815 to 38a-830,  
 588 inclusive.

589 (22) With respect to plans or arrangements issued pursuant to  
 590 subsection (i) of section 5-259, as amended by this act, or by an  
 591 association group plan, at the option of the Comptroller or the  
 592 administrator of the association group plan, the premium rates  
 593 charged or offered to small employers purchasing health insurance  
 594 shall not be subject to this section, provided (A) the plan or plans  
 595 offered or issued cover such small employers as a single entity and  
 596 cover not less than ten thousand eligible individuals on the date  
 597 issued, (B) each small employer is charged or offered the same  
 598 premium rate with respect to each eligible individual and dependent,  
 599 and (C) the plan or plans are written on a guaranteed issue basis.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>October 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section

Sec. 4	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	New section
Sec. 6	<i>October 1, 2007</i>	5-259(i)
Sec. 7	<i>October 1, 2007</i>	5-259(k)
Sec. 8	<i>October 1, 2007</i>	38a-497
Sec. 9	<i>October 1, 2007</i>	38a-554
Sec. 10	<i>July 1, 2007</i>	38a-567

**INS**      *Joint Favorable*